

# **An Opportunity for Creating New Economic Activity**

**With  
Property Assessed Clean Energy (PACE)**

**Advancing  
Facility Improvements and Conservation Related Retrofits  
into Commercial and Industrial Properties**

*Quality of Life Committee, September 30, 2015*



# What is **PACE**?

- **PACE is a financing program that enables owners of commercial and industrial properties to obtain low-cost, long-term loans for water conservation, energy-efficiency and renewable retrofits.**
- **The PACE statute, SB 385, authorizes municipalities in Texas to create districts where lenders and property owners can finance qualified improvements using contractual assessments voluntarily imposed on the property by the owner.**
- **The term of a PACE loan may extend up to 20 years, resulting in utility cost savings that exceed the amount of the payment.**
- **As a result, improvements financed through PACE generate positive cash flow upon completion with no out-of-pocket cost to the property owner.**



# Created in Texas for Texans

## Legislation

- **June 19, 2013: Gov. Rick Perry signed legislation allowing PACE Programs**

## Design Phase

- **May 2014: Stakeholder input & collaboration completes “PACE in a Box” toolkit for local adoption**

## Implementation

- **2014 -15: “PACE in a Box” resources available for cities and counties to adopt a PACE resolution and begin steps to implement a PACE program**



# Support & History

- **SB 385, Sen. John Carona and Rep. Jim Keffer**
- **The coalition:**
  - **County Judges and Commissioners Association of Texas**
  - **Independent Bankers Association of Texas**
  - **Texas Association of Business**
  - **Texas Association of Counties**
  - **Texas Bankers Association**
  - **Texas Building Owners and Managers Association**
  - **Texas Combined Heat and Power Initiative**
  - **Texas Conference of Urban Counties**
  - **Texas Manufactures Association**
  - **Texas Municipal League**
  - **Texas Renewable Energy Industry Association**
  - **US Business Council for Sustainable Development**
  - **US Green Building Council**
  - **Dozens of other organizations and companies**



# PACE is a Win-Win-Win

- **Property Owners** – lower utility bills, energy independence, energy & water efficiency, property value increase
- **Contractors** – source of increase in business, more local hiring, best practices, keeping up with technology advancements
- **Lenders** – new loans, steady & stable process, fully collateralized, 1<sup>st</sup> lien position, improved asset value
- **Communities** – increased competitiveness, economic development and jobs, improved building infrastructure, more appealing building stock
- **State of Texas/City of Houston** – over the long term, reduced peak demand, improved grid loading, renewables as source, improved air quality, better water conservation



# PACE Tearing Down Barriers

## Barriers

Scarce internal capital budget

No access to, aversion to financing

- No investment-grade credit rating
- Lack of collateral assets that don't fall under first mortgage

Uncertain holding period

Owner / tenant split incentives

Skepticism savings/ROI will be realized

## PACE Solutions

No down payment and costs spread over time w/ savings

- Repayment security through senior lien position
- Backed by property, not by owner or equipment collateral

PACE obligation transfers to the new owner upon sale

Qualifies as pass-thru cost

ESCO/contractor guarantees or third party insures performance

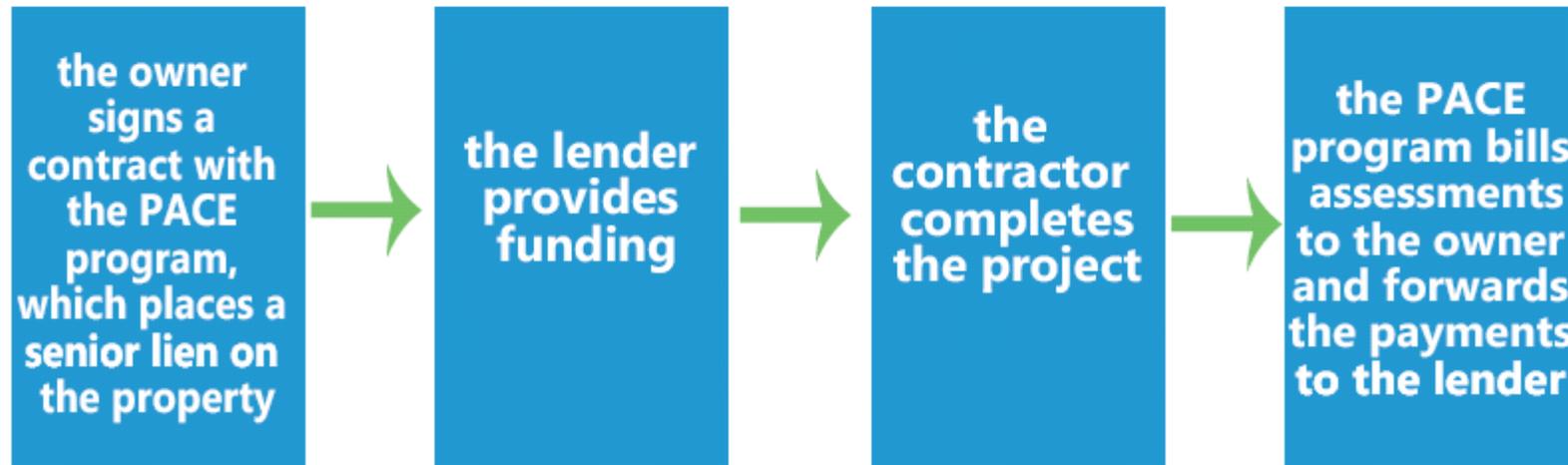


# PACE How it Works

## A Building Owner:



## If the owner, building and project all meet PACE requirements:



# PACE Financing Scenario Comparison

## Financing Scenario Comparison Summary

	Self-Funded	Conventional Loan	PACE
Out-of-Pocket Investment	\$200,000	\$0	\$0
Utility Savings (First Year)	\$33,000	\$33,000	\$33,000
Annual Payment	\$0	(\$45,558)	(\$19,059)
Cash Flow Impact Year 1	(\$167,000)	(\$12,558)	\$13,941
Net Project Cash Flow Year 2	(\$134,000)	(\$25,117)	\$27,882
Years to Positive Project Cashflow	6.1	6.9	N/A
10-Year Project NPV	(\$463,348)	(\$58,103)	\$455,693
Property Value Increase (20-Year NPV)			\$1,100,068

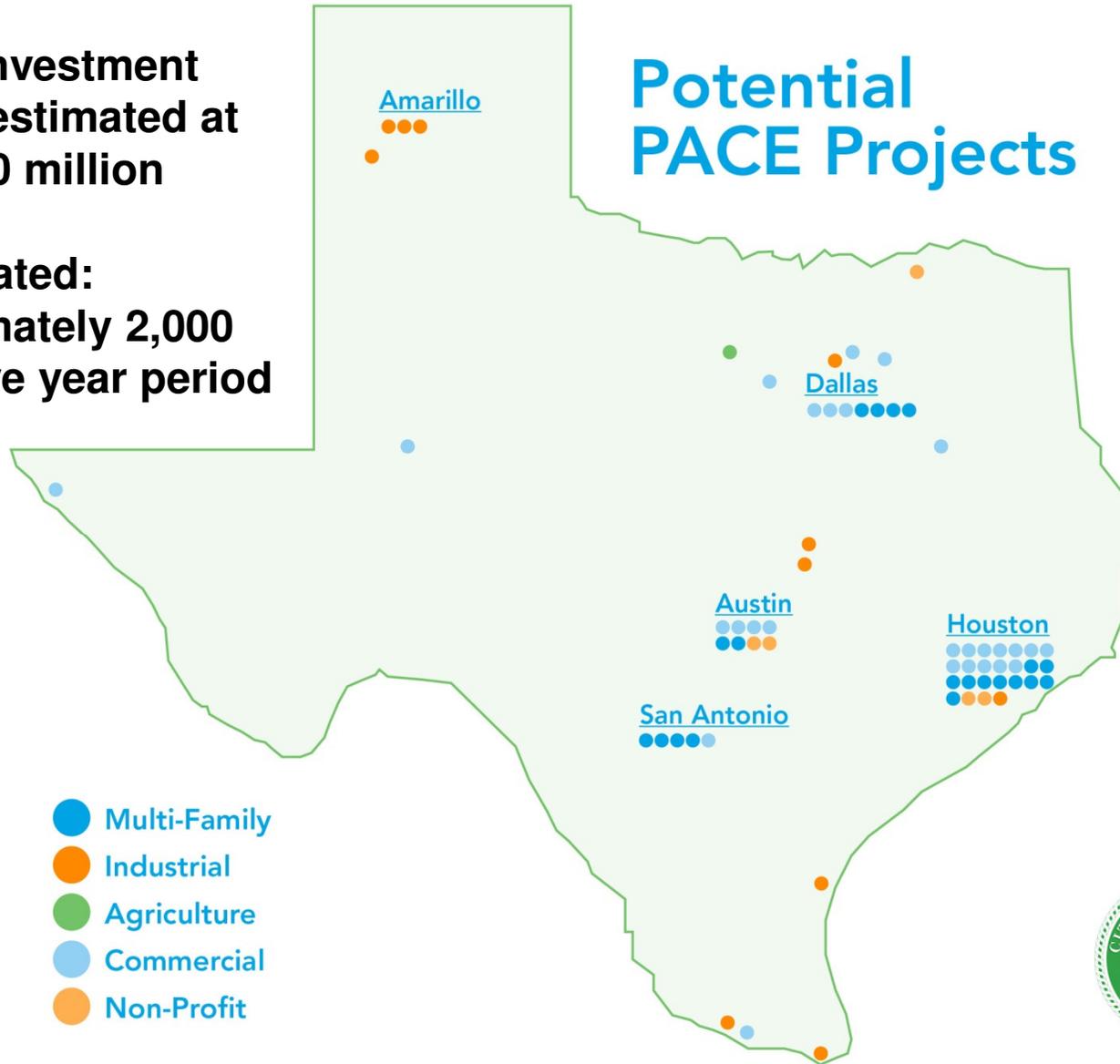


# PACE Setters

**Project Investment Value is estimated at over \$200 million**

**Jobs created: Approximately 2,000 over a five year period**

## Potential PACE Projects



# City of Houston Timeline

- September 30:**      **Quality of Life Committee  
Informational Hearing**
- October 1:**            **PACE Report and Documents  
posted for public review**
- October 14:**         **City Council Action: Resolution  
of Intent**
- October 21:**         **Quality of Life Committee Public  
Hearing**
- November:**           **City Council Action: Resolution  
of Adoption**

